

# Annual Report 1964



AR38



Le Secrétaire  
des Chemins de fer Nationaux du Canada,  
C.P. 8100, Montréal (P.Q.),  
enverra sur demande  
le texte français  
du Rapport annuel de 1964.

Copies of the 1964 Annual  
Report in French may be  
obtained, upon request, from:  
The Secretary,  
Canadian National Railways,  
Box 8100, Montreal, Que.



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The Board of Directors submits  
hereunder the Annual Report  
of Canadian National Railways  
for the year 1964.

## Financial Review

**General** Output and revenues of CN reached record levels in 1964 and the overall financial position of the Company showed improvement for the fourth successive year. The following table shows the general upward trend since 1960:

	1964	1963	1962	1961	1960
	(In Millions)				
Gross Revenues					
Railway operating revenues	\$782.6	\$725.2	\$701.6	\$677.4	\$663.2
Telecommunications (commercial services)	39.9	37.2	36.7	32.9	29.9
Hotels (excluding the Queen Elizabeth and Hotel Vancouver)	13.9	12.6	12.2	12.4	11.8
Separately operated trucking companies	27.8	25.0	21.6	22.8	18.5
Total gross revenues	\$864.2	\$800.0	\$772.1	\$745.5	\$723.4
Net Income or (Loss) before Interest	\$ 23.9	\$ 21.2	\$ 13.6	\$ (4.8)	\$ (6.5)
Deficit	\$ 38.7	\$ 43.0	\$ 48.9	\$ 67.3	\$ 67.5

Activities of the entire System in 1964 resulted in a net income, after depreciation but before interest, of \$23.9 million. This represents an improvement of 12.7% over 1963. The surplus fell short of the amount needed to meet interest charges on the outstanding debt of the Company and the overall financial result of 1964 was a deficit of \$38.7 million. This was an improvement of \$0.8 million over the System operating budget adopted at the beginning of the year. It was an improvement of \$4.3 million over the actual result for 1963 and of \$28.8 million over 1960.

**Operating Revenues** The financial improvement over 1963 was achieved mainly by expanding railway operating revenues by \$57.4 million or 7.9%. Railway freight services revenues for 1964 totalled \$620.6 million, an improvement of \$47.1 million or 8.2% over 1963. Freight services revenues for each month, with the exception of October, showed an increase over the previous year. Revenue ton miles reached 44,516 million, a new record for the System. Revenue per ton mile declined slightly because of increased volume of low-rated traffic such as grain, sand, crushed stone and iron ore.



Revenues from passenger services for each month in 1964 showed an increase over the previous year and total income reached \$51.8 million, an improvement over 1963 of \$7.4 million or 16.7%. Gross revenues from telecommunications (commercial services) were up 7.3% in 1964 over 1963 and gross revenues from hotels and from separately operated trucking companies were up 10.3% and 11.2% respectively for the same period.

Amounts of subsidy payments included in 1964 railway operating revenues are shown in the following table and are compared with those for 1963:

	1964	1963	Increase or (Decrease)
	(Millions of Dollars)		
Freight Rates Reduction Subsidy	\$10.2	\$10.1	\$0.1
Maritime Freight Rates Act	12.5	11.3	1.2
East-West Bridge Subsidy	3.3	4.3	(1.0)
Total included in freight services revenues	26.0	25.7	0.3
Interim Payments	29.0	29.1	(0.1)
Newfoundland and P.E.I. Steamship Services (operated by CN as agent for Government)	19.3	16.8	2.5
Total	\$74.3	\$71.6	\$2.7

The subsidy under the Maritime Freight Rates Act, which reduces rates to shippers on traffic moving within and out of the Atlantic Provinces, was higher in 1964 due to the increased traffic which is subject to this subsidy.

There was a decrease in the amount received under the East-West Bridge subsidy which provides reduced rates to shippers on certain traffic moving between Eastern and Western Canada. This decrease was due to adjustments in the rates paid by shippers which were necessary to maintain the subsidy at the statutory limit of \$7 million between CN and the C.P.R.

Interim payments of \$29.0 million are related to the recommendations of the Royal Commission on Transportation of 1959-62.

**Operating Expenses** Railway operating expenses amounted to \$775.2 million in 1964, an increase of \$55.0 million or 7.6% over 1963. Of the total increase about \$15.8 million was due to increased wage award and related costs. Increases of 9.8% in gross ton miles and 7.4% in passenger train miles were largely responsible for the balance of the increase in railway operating expenses.

System depreciation charges in 1964 amounted to \$101.0 million, an increase of \$2.0 million primarily due to increased investment in depreciable property.

**System Taxes** Taxes paid by the System were \$25.1 million in 1964 of which \$21.2 million was charged to railway operating expenses. The total includes \$5.2 million for unemployment insurance, \$17.1 million for Canadian provincial and municipal and U.S. state taxes and \$2.8 million for payments under the U.S. Railroad Retirement Act. Other taxes which were included in the purchase price of materials, amounted to \$22.0 million.

**Debt and Interest** There was a reduction of \$11.1 million in the total interest-bearing debt of the System in 1964, due mainly to the repayment of maturing securities out of the System's current resources. Interest on debt amounted to \$62.6 million in 1964, a reduction of \$1.6 million from 1963. The reduction was due mainly to repayment of \$51.1 million in interest-bearing debt in December 1963.

## System Operations

**Transportation and Maintenance** Heavier train loads, faster speeds and improved distribution and utilization of freight and passenger car equipment marked CN operations in 1964.

Modern methods of data processing helped to increase productivity through improved recording of car movements and better forecasting of equipment needs.

CN's Centralized Traffic Control system, utilizing advanced electronic and electrical signalling and switching devices, was extended to cover an additional 166 miles of track in 1964. This system now controls train movements on 3,375 miles of CN trackage bringing with it substantial gains in running speeds and track utilization.

Acquisition of four new diesel units in the 2400 to 2500 H.P. range was another important contribution to productivity. Operated in cycles between Montreal and Edmonton the new units produce about 15,000 miles per month, about double the average for the other units.

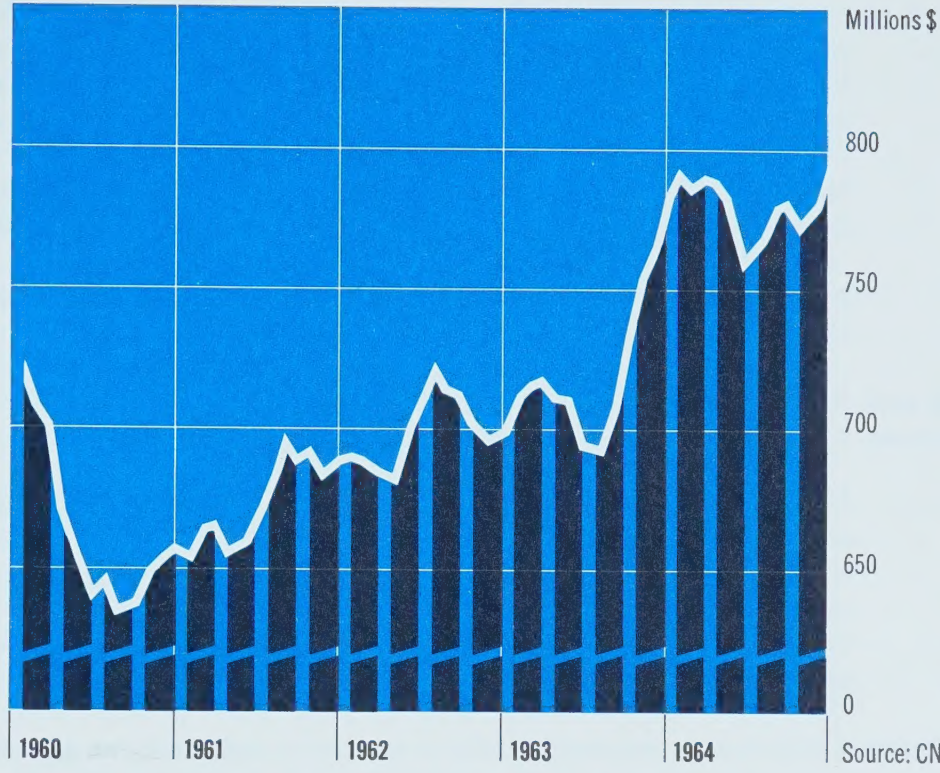
Experience with the leasing of motive power from U.S. lines in 1964 demonstrated that this is an efficient and economical method of handling peak traffic loads such as that generated by the heavy grain sales to Russia.

**Yard Facilities** As the year ended, the new Toronto Yard and 34 miles of access lines linking it to main lines were virtually completed. To be officially opened in the Spring of 1965 this electronically-controlled hump classification yard will complement similar yards at Moncton, Montreal and Winnipeg and complete an important part of CN's long-term modernization program.

The year also saw completion of a new 285-acre terminal complex in Saskatoon. This terminal centralizes freight and passenger operations that were formerly conducted in three separate



**Railway  
Operating Revenues  
Seasonally Adjusted at  
Annual Rates**



Source: CN

locations and provides for faster handling of both freight and passenger trains in Saskatoon. It also frees valuable downtown property for commercial redevelopment now being carried on.

**Traffic Master Plan**

In 1964, the mechanization of yard reporting by means of CN's computer-oriented Traffic Master Plan was extended to cover the St. Lawrence and Great Lakes Regions. This means that CN now has a coast-to-coast system of computer controls for car tracing, assembling operating statistics, car accounting and operations generally. This system opens the door to even more sophisticated methods of traffic control in such areas as passenger car utilization, freight car distribution and traffic density reporting in the near future. The 1964 extension of the Traffic Master Plan was supplemented by the setting up of high-speed magnetic tape transmission equipment utilizing CN's latest microwave facilities to exchange pertinent traffic movement data between Montreal and Toronto.

**Branch Line  
Construction**

First estimates of the time for laying track for the Great Slave Lake Railway in the Northwest Territories were bettered by 12 months. The first shipments of ore moved in work train service from Pine Point, N.W.T., to Roma, Alta., in November of 1964. The application of ballast in 1965 is required to bring the line up to full operating standards.

A 15-mile line from Nepisiguit Junction to the property of Brunswick Mining and Smelting Corporation, Bathurst, N.B., was completed in 1964.



**Marine Services** In 1964 the Department of Transport bought the car ferry "New Grand Haven" and began converting her as a container and general cargo ship for the North Sydney-Port aux Basques run. This ship, which will be operated by CN as agent for the Government, should be ready for service in the Spring of 1965.

Two wooden ships of the 15-ship Newfoundland marine service were considered obsolete for CN purposes and arrangements for their sale were made during 1964.

An extra barge capable of carrying 30 railway cars was chartered in 1964 for the "Aquatrain" service between Prince Rupert, B.C. and Whittier, Alaska.

**Research and Development** Scientific and technical research continued to be emphasized in CN. The new Technical Research Centre near Montreal Yard was opened in 1964.

Final Canadian certification was given during the year to a CN-developed weigh-in-motion electronic scale which is regarded as a major advance in railway technology. Patent applications have been made in Canada, the United States and 10 other countries. Meanwhile the scale is in use in Montreal and, in an improved version, at Moncton. One of two similar scales planned for the Toronto Yard was nearing completion at the end of 1964 and was scheduled to go into operation early in 1965.

**Industrial Development** A high level of industrial capital investment in manufacturing industry, particularly in iron and steel, pulp and paper, and chemicals was a feature of the national economy in 1964. CN's Industrial Location Service assisted industry in many of the studies undertaken to determine the best locations for new plants being established in Canada. During 1964 a total of 421 resource developments, manufacturing plants and warehousing and distributing facilities were established in locations served by CN freight services. In addition, 211 industries already served by CN expanded their facilities. Of these new plants and expansions some 292 required direct private siding service and a total of 61 miles of private sidings and industrial spurs was constructed during 1964 to fill this need.

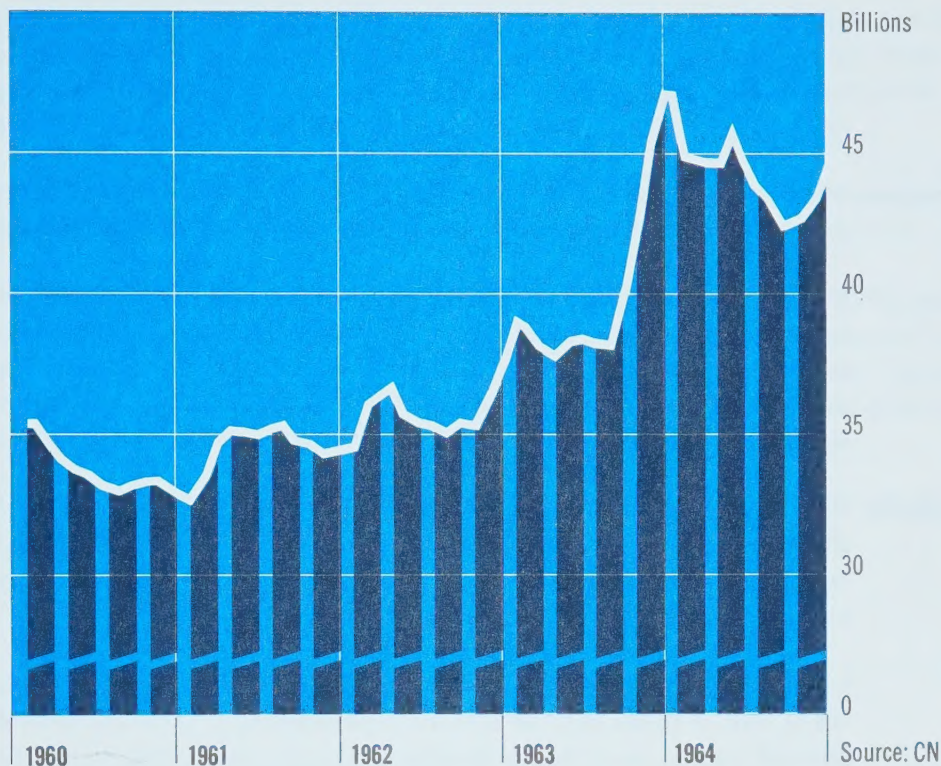
**Real Estate** During 1964 CN real estate activities again centered about urban redevelopment projects carried out in cooperation with private developers and municipal authorities.

At Edmonton, construction began on a 26-storey office building on CN property. The private developer is investing an estimated \$10.5 million in this building which will include new passenger station facilities, commercial offices and office space for CN personnel.

In Saskatoon, agreement was entered into with another private developer for the redevelopment of approximately 22 acres of CN property in the downtown area. The property was made available for this purpose by an arrangement with the City of Saskatoon for the removal of CN's City Yard facilities to the outskirts of the city. The development will include a commercial office building which will provide accommodation for the Saskatchewan Area staff as well as for other tenants.



**Railway  
Revenue Ton-Miles  
Seasonally Adjusted at  
Annual Rates**



The new City of Saskatoon Centennial Auditorium will be located in this development.

In Montreal, agreement was entered into for the development of Place Bonaventure—a large trade and exhibition center over CN tracks south of Central Station. On this site of approximately six acres the private developers have begun to erect a structure which will include the largest exhibition hall in Canada and a complex of permanent display areas for merchandise, together with various ancillary facilities.

In Vancouver, an agreement has been concluded with private developers for the development of property located at the rear of the Hotel Vancouver and purchased by CN from the Government of British Columbia. The primary purpose of the development is to provide parking garage facilities in connection with the hotel.

## Freight Services

**Sales** In 1964 CN continued to generate increased freight business by means of the market-oriented sales program launched in 1961. Record freight services revenues in 1964 reflect the effect of this long-term program as well as such factors as large export movements of wheat and a generally buoyant economy. Market research continues to be an important sales tool and the



past year saw a marked increase in commodity studies designed to pinpoint the size and potential of specific sections of the transportation market. A program of formal sales training for all freight sales representatives was launched during the year and the response was so encouraging that regular follow-up was in an advanced planning stage at year end.

**Services** Despite strike closures in some sections of the automotive industry, increased movement of automobiles and trucks contributed substantially to higher freight services revenues in 1964.

The availability of multi-level equipment played a part in securing this business. New and converted equipment, much of it specially designed to meet the requirements of the shipper, was also important in enabling CN to benefit from increased movement of potash from Saskatchewan and chemical fertilizer from Ontario as well as increased tonnages of iron and steel, newsprint, woodpulp, mineral ores, lumber, sulphur and miscellaneous manufactured articles.

**Equipment** New equipment orders for 1964 included 75 bi-level cars, mainly for the transport of trucks which are too high for tri-level equipment, and 50 tri-level automobile transporters. Unloading facilities at strategic points were up-dated to enable the most efficient use of CN's increasingly productive tri-level and bi-level equipment.

In 1964 CN received 500 new hopper cars with a higher cubic capacity than previous types. A major use of these cars will be for the shipment of iron ore from Ontario. An additional 500 covered hopper cars were ordered and will be used mainly to handle the increasing volume of potash movement in Western Canada. Additional freight car purchases included 200 standard flat cars, 100 bulkhead-equipped flat cars, 200 cars specially built for lumber and pulpwood shipments, 150 90-ton ore cars, 500 70-ton box cars and 400 heated-insulated box cars.

New equipment orders for the Grand Trunk Western Railroad Company in 1964 included 291 box cars, 80 high cube cars and 50 hooded flat cars.

An extensive program of modification and conversion of freight equipment to serve the general and special requirements of customers was continued throughout the year.

**Express Freight** CN's new Express Freight service was further expanded in 1964. This service is designed to provide to shippers of less than carload freight and express traffic the efficiency and economy of long distance rail transportation plus the flexibility and other advantages of highway pickup and delivery service in which piggyback, containerization and other relevant transportation techniques are used as needed.

Towards this end the functions of CN's Express and LCL (less than carload) services are gradually being brought together and the functions of the small wayside railway agency are being transferred to strategically-located railroad terminals known as master agencies. The basic operating concept is to establish master agencies at points between which there will be sufficient volume of traffic to enable rail transport to be used effectively and at which highway



pickup and delivery, as well as accounting, billing and other work, can be efficiently carried out. Less than carload and express traffic is becoming an increasingly important part of the total freight transportation market and Express Freight is designed to secure for CN a good share of this potentially lucrative business.

An important effect of Express Freight will be to provide customers in smaller and scattered communities with greatly improved railway communications and service.

**Piggyback, Containerization** Piggyback services expanded in 1964, with tonnage increasing by 30.9% and revenues by 27.3% over 1963. Test operations of various container types during 1964 resulted in a decision to introduce a regular operation for Express Freight consignments in central Canada. Experience with these operations will form the basis for further tests and a fairly rapid extension of container use may be anticipated.

**Trucking Subsidiaries** Net operating profit of the separately operated trucking companies whose stock is owned by Canadian National Transportation, Limited was \$1.5 million in 1964.

## Passenger Services

**Sales** The number of passengers carried by CN increased in 1964 by 14.0% over 1963 and passenger services revenues were 16.7% higher. The Red, White and Blue fare plan, to which is credited much of the increase in passenger sales, was extended throughout the System during 1964 and this and other passenger sales projects were intensively advertised and promoted in various ways.

**Schedules and Services** A new transcontinental train, the "Panorama" went into service in 1964. It is a twin of the popular "Super Continental" in regard to equipment and services and it is scheduled so as to complement the "Super Continental" and to provide westbound travellers with a sun-up to sun-down view of the Canadian Rockies.

On June 14 the stainless steel "Champlain" began non-stop operation as a pool train between Montreal and Quebec City. The "Champlain" is CN owned and is equipped as a prestige train providing fast, comfortable intercity service.

Another new train, the "Chaleur" ran between Montreal and Campbellton, N.B., for a 14-week summer period and for three weeks at Christmas. It complemented the "Ocean Limited". The schedule and equipment of the "Scotian" between Montreal and Halifax were improved in line with the objective of making this train the equal of the popular "Ocean Limited".



A new non-stop passenger train was added to the Great Lakes Region between London and Toronto. Improvements were also made in services between Regina and Saskatoon, Windsor and Toronto, Sarnia and Toronto and Toronto and Montreal.

**Equipment** There were noteworthy equipment renovations and acquisitions during the year. Included were the purchase and renovation of the equipment for the "Champlain", renovation of club and coach lounges for the "Super Continental" and the "Panorama", conversion of nine passenger cars into 48-chair dining cars, and the acquisition of six **Sceneramic** cars for service in the Rocky Mountains and six **Skyview** bedroom-lounge cars for the "Ocean Limited" and "Scotian".

## Telecommunications

**Financial Results** Gross income from CN Telecommunications commercial services in 1964 was \$39.9 million, an increase of \$2.7 million or 7.3% over 1963. The increase resulted from gains in revenue from Telex, telephone, leased wire and broadcast services. Revenue from telegrams continued to decline.

Higher revenues for 1964 were more than offset by increases in maintenance costs, labor costs and depreciation. Increases in maintenance costs were related mainly to the bringing into service in January 1964 of the new CN-CP Montreal-Vancouver microwave system, the full earning potential of which will not be realized for several years. Higher labour costs stemmed from wage and fringe benefit awards in 1963 and 1964. Higher depreciation resulted from increased investment in depreciable property.

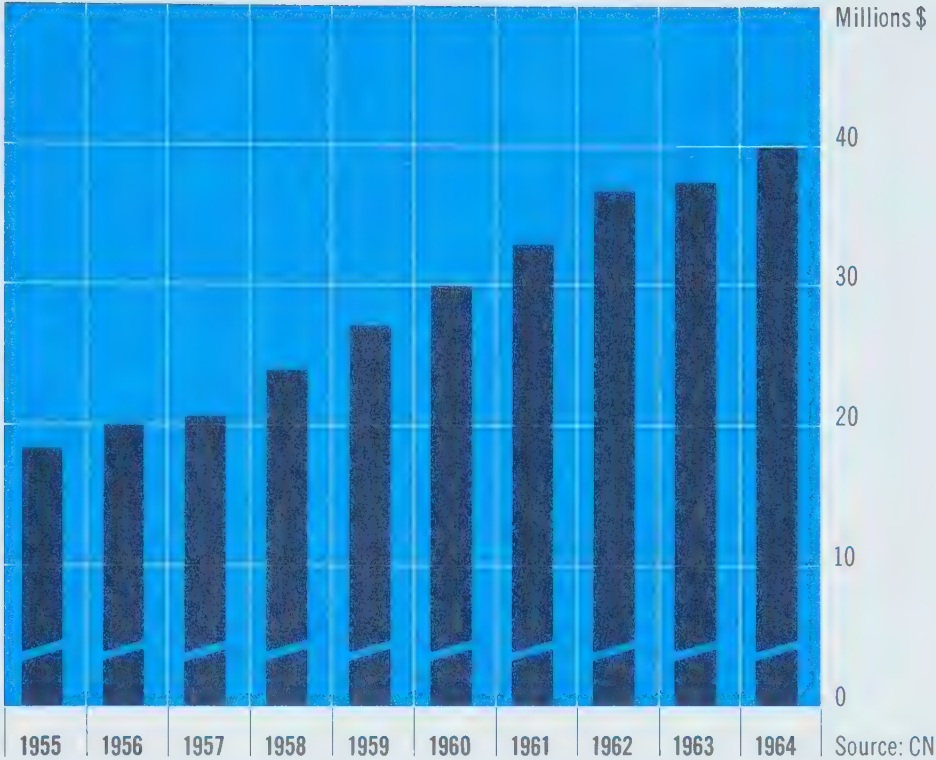
**Growth in Services** The Montreal-Vancouver microwave system completes a transcontinental trunk route linking the major cities across Canada. During 1964, construction was started on a CN-CP microwave link between Toronto and Buffalo, N.Y., which will connect the Montreal-Vancouver system with the microwave facilities of Western Union across the United States.

Four new Telex exchanges were opened in 1964 bringing the total to 71 exchanges serving 717 communities and 7,900 subscribers.

A new dial quotation service for the Toronto Stock Exchange was inaugurated and approximately 300 dial teleprinter units are currently in service across Canada. In addition, closing Toronto Stock Exchange quotations are now flashed to Canadian newspapers by means of high speed data circuits at a rate of 1,000 words per minute—which is ten times faster than ordinary teletype transmission.



Telecommunications  
Revenues from  
Commercial Services



A new electronic message switching system was installed in the Telecommunications building in Toronto in 1964. This system is of the most advanced design and the only one of its kind being provided by a common carrier communications company in Canada.

A new broadband switching service is being established jointly with CP Telecommunications to be operational in 1965. This system will be particularly suited to the transmission of high speed data; speeds of up to 40,000 words per minute will be possible.

Hotels

**Financial Results** Hotel operations for 1964—including the returns from the Hilton-operated Queen Elizabeth Hotel and Hotel Vancouver—produced \$1.9 million net income, an improvement of \$0.5 million compared with the previous year.

Net income from the eight CN-operated hotels was \$219,000 in 1964 compared with a loss of \$24,000 in 1963. This improvement was due to a higher volume of business which was partially offset by higher expenses.



The following table compares net income in 1964 and 1963:

	1964	Income or (Loss) 1963
CN operated Hotels		
Net income before undernoted charges	\$ 519,591	\$ 331,114
Major repairs and modernization costs	300,163	354,947
Net income or (loss)	\$219,428	(23,833)
Hotel Vancouver	(230,935)	(247,842)
Queen Elizabeth Hotel (including Place Ville Marie restaurants)	1,909,427	1,622,393
Net Income from Hotels	\$1,897,920	\$1,350,718

**Improvements** The five-year rehabilitation program for CN's year-round hotels was continued in 1964. At the Château Laurier, a new restaurant, named L'Auberge, replacing the outmoded cafeteria, was opened and renovations to the Canadian Grill were completed. Planning for renovation of the cocktail lounge and the main lobby has been completed and the work is being done in 1965. Preliminary work in connection with the installation of air-conditioning for the guest rooms was also carried out during the year. At the Fort Garry, a new restaurant, The Factor's Table, was opened and air-conditioning of the guest rooms was completed as was also redecoration and refurnishing of a number of guest rooms. Redecoration and refurnishing of guest and public rooms at the Newfoundland Hotel, St. John's; The Nova Scotian, Halifax; The Bessborough, Saskatoon, and The Macdonald, Edmonton, were also carried out during the year.

The rebuilding program at Jasper Park Lodge was continued.

**Other Developments** A new restaurant, named Altitude 737, was opened in the Place Ville Marie complex in Montreal.

Preliminary planning for major rehabilitation of the Hotel Vancouver was undertaken and contracts were let for refurnishing and redecorating bedrooms and guest room corridors. Other major renovation projects are under active study.

The Charlottetown Hotel was sold to the Island Development Company Limited, the sale becoming effective November 1st, 1964.

## Personnel and Labour Relations

**Labour Relations** Long and intensive negotiations culminated in 1964 with the signing of two and three year agreements with unions representing all major groups of CN employees.



A two-year master agreement was signed on July 17, 1964, covering 59,000 employees represented by 15 railway non-operating unions. The agreement, based on the recommendations of a conciliation board, provided for wage increases of 9 cents per hour during 1964 and 5% during 1965 and improvements in health and welfare benefits.

In light of the "freeze" existing on railway freight rates, the impact of the cost of this and other wage awards was the subject of correspondence exchanged in June 1964 between the Prime Minister of Canada and the presidents of CN and C.P.R. and tabled in Parliament on July 7, 1964. The correspondence indicated that an impartial examination of the effect of the additional wage costs would be made in six months time "so that the government would be afforded an opportunity to decide what additional financial adjustments would be justified to assist the railways during the period up to the coming into effect of the proposed new railway legislation", namely the legislation implementing the major objectives of the report of the MacPherson Royal Commission on Transportation. As yet this examination has not been made.

A Supplementary Agreement with non-operating unions was signed on November 16, 1964, providing for expenditures from the Job Security Fund established by the Master Agreement of November 2, 1962. Under this agreement, laid-off employees may elect to receive weekly payments based on length of service up to a maximum of 52 weeks, or an equivalent lump sum as separation allowance.

Settlements involving varying wage increases were reached during the year with three Brotherhoods representing more than 14,000 operating employees. A two-year agreement was signed with the Brotherhood of Railroad Trainmen and a three-year agreement was reached with the Brotherhood of Locomotive Engineers. A three-year agreement was also signed with the Brotherhood of Locomotive Firemen and Enginemen.

In addition to these major settlements, 22 other agreements covering more than 4,000 employees on both Canadian and U.S. lines were signed with various unions.

In the United States, a work rules dispute with unions representing operating employees was resolved. The award of an arbitration board established guidelines for the parties to negotiate future changes in the make-up of train crews and gradual elimination of firemen.

On November 5, Mr. Justice Samuel Freedman was appointed by the Minister of Labour to inquire into the industrial situation arising from the company's proposal to run certain trains through Nakina and Wainwright. Hearings began in January 1965.

## **Employee Relations**

New training programs were established during the year with increased emphasis on training for the sales forces and those employees who deal with the public. An experimental performance review procedure for freight salesmen was developed. The newly-established Western Canada Training Centre at Saskatoon has resulted in a significant increase in supervisory training.



A language laboratory was opened in Montreal during the year as part of a large scale French language training program. Courses in English language training were started in January 1965. Increasing efforts were made to broaden the scope and depth of manpower planning in order to improve the framework for manpower adjustments arising out of technological and organizational changes, and to contribute to increased effectiveness of the work force and greater stability of employment.

Action was taken to facilitate the development of an integrated program of Employee Communications throughout the System. The revised Labor-Management Co-operative Committees demonstrated their vitality and the annual meeting of the President with the General Chairmen continued to afford a means of furthering labor-management understanding.

**Pensions and Welfare** Total charges against CN earnings for pensions (excluding U.S. Railroad Retirement taxes of \$2.8 million) in 1964 compared with 1963 were as follows:

	1964 (Millions of Dollars)	1963	Increase
1935 and 1959 Pension Plans	\$29.1	\$28.2	\$0.9
Pre-1935 Plans, etc. (including I.C. & P.E.I. Railway Employees' Provident Fund)	7.1	7.0	0.1
Total	\$36.2	\$35.2	\$1.0

Wage awards granted during the year required an increase of \$49.0 million in the System's acknowledged liability to the pension fund in respect of past service of those employees who are covered by CN pension plans.

Exclusive of payments made under the U.S. Railroad Retirement Act, there was paid to pensioners and beneficiaries, under the various Canadian National pension arrangements, a total of \$40.1 million in 1964 and 30,953 individuals were receiving such payments at the year end.

Charges against CN earnings for welfare plans providing hospital-surgical-medical benefits and life insurance were \$6.9 million in 1964 as compared with \$6.4 million in 1963.

**CN-CP Act** During 1964 CN continued to explore with the Canadian Pacific Railway Company areas where further cooperation between the two companies might be advantageous.

**Board of Directors** Six new directors were appointed during the year to replace directors whose terms of office had expired. Those appointed were: Mr. D. A. Anderson of Toronto, Dr. C. A. Curtis of Kingston, Ont., Mr. N. P. Dryden of Moncton, N.B., Mr. H. T. Huston of Rossburn, Man., Mr. F. Nobert of Trois-Rivières, Que., and Mr. Bernard Tailleux of Montreal. Mr. Nobert became ill soon after his appointment and it was with profound regret that the Board learned of his death in January 1965. On February 18, 1965, the vacancy on the Board was filled by the appointment of Mr. Renault St. Laurent, Q.C., of Quebec City.



## Outlook

Continued expansion of the national economy played an important part in bringing about the improved operational and financial results detailed in the preceding pages. Current indications are that the gross national product will continue to increase in 1965 and the years immediately following, although the average annual growth may be somewhat less than the eight per cent recorded in 1964. This means that CN can look forward to a period of increasing demand for its services and of continuing challenge to maintain a high degree of efficiency.

The System plans to respond to this challenge by further development of its market-oriented sales program and by steady improvement in the efficiency of personnel, plant and equipment. Emphasis will continue to be laid on improving speed, capacity and efficiency in the movement of carload freight which makes the greatest contribution to operating revenues and is the major activity of CN. No new modernization projects of a major nature are considered to be necessary in the immediate future. Returns from the heavy capital investment in dieselization and other modernization programs carried out since 1950 are apparent in the increased output and improved earnings of recent years and CN now has the basic technical capacity to meet the competitive requirements of the modern transportation era. It is anticipated that normal capital expenditures in the foreseeable future, including expenditures for the replacement of worn-out or obsolescent equipment and the purchase of specialized rolling stock to meet the requirements of customers, will be financed, as has been the case for the past four years, from internally generated funds.

Current CN passenger policy calls for a strong effort to increase passenger sales and provide good, competitively priced passenger service in areas where actual or potential returns justify the effort. For CN, extensive market research and study of relevant social, economic and technological trends and developments point strongly towards the conclusion that, in most of the areas now being served, a properly designed and operated passenger service can be made to justify itself on economic grounds. In this respect the experience of 1964 has been quite encouraging.

CN is also making a strong effort to increase the contribution of less than carload and express traffic to general revenues. Demand for transportation of this kind of merchandise is growing in North America and the new Express Freight service is designed to increase the amount of this traffic moved by CN and to put the operation on a profitable basis.

The heavy burden of debt carried by CN and other disabilities borne by the railways continue to be reflected in CN's annual financial statements and to mask the real accomplishments of the System. It is hoped that the remedy for this will be provided through implementation of the objectives of the 1962 report of the Royal Commission on Transportation and the capital revision proposals which CN has submitted to the Government.

The Board of Directors and Management of CN are reasonably optimistic about the immediate future of the System. CN has been directing its efforts towards placing itself in a position to



serve Canada as an efficient, self-supporting part of a well balanced national transportation system operating in a competitive environment. It is our objective to continue to do so.

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The Board of Directors again wishes to express its appreciation to all officers and employees for their contribution to the achievements of the System in 1964.



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Signed on behalf of the Board of Directors.

Montreal, March 15, 1965

## **Executive and General Officers**

**Donald Gordon**, C.M.G., LL.D., D.C.L., President  
**N. J. MacMillan**, Q.C., Executive Vice-President  
**S. F. Dingle**, System Vice-President  
**R. H. Tarr**, Vice-President and Executive Assistant  
**R. T. Vaughan**, Secretary of the Company  
**K. E. Dowd**, M.D., C.M., F.A.C.S.,  
Chief Medical Officer  
**C. A. Harris**, Director of Public Relations  
**E. A. Spearing**, M.B.E., Director of Investigation

## **Accounting and Finance**

**J. L. Toole**, Vice-President  
**L. J. Mills**, O.B.E., Comptroller  
**E. J. Denyar**, Treasurer

## **Highway Services**

**F. A. Gaffney**, Vice-President  
**D. W. Blair**, Assistant Vice-President

## **Law**

**H. C. Friel**, Q.C., Vice-President  
**Lionel Côté**, Q.C., General Counsel

## **Personnel and Labour Relations**

**W. T. Wilson**, Vice-President  
**T. A. Johnstone**, Assistant Vice-President,  
Labour Relations  
**George Lach**, Assistant Vice-President, Personnel

## **Purchases and Stores**

**E. A. Bromley**, Vice-President  
**W. L. Shirray**, General Purchasing Agent

## **Research and Development**

**Maurice Archer**, Vice-President  
**D. F. Purves**, Assistant Vice-President  
**J. P. Blanchet**, General Manager, Real Estate

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**A. H. Hart**, Vice-President  
**G. R. Johnston**, Assistant Vice-President  
**H. B. Parr**, General Freight Sales Manager

## **Passenger Sales and Services**

**Pierre Delagrave**, M.B.E., Vice-President  
**W. E. McCall**, General Manager

## **Transportation and Maintenance**

**J. W. Demcoe**, Vice-President  
**D. M. Trotter**, Assistant Vice-President

## **Atlantic Region**

**H. C. Grayston**, Vice-President, Moncton  
**E. J. Cooke**, General Manager  
**E. K. House**, Manager, Newfoundland Area, St. John's  
**J. G. Davis**, Manager, Maritime Area, Moncton  
**G. R. Boulet**, Manager, Chaleur Area, Campbellton

## **St. Lawrence Region**

**J. A. McDonald**, Vice-President, Montreal  
**C. A. Bérubé**, General Manager  
**L. M. Poitevin**, Manager, Quebec Area, Quebec City  
**J. J. F. Roberts**, Manager, Montreal Area, Montreal  
**R. J. Hansen**, Assistant Manager, Montreal Area  
**J. H. Richer**, Manager, Champlain Area, Montreal  
**K. E. Hunt**, Manager, Rideau Area, Belleville

## **Great Lakes Region**

**D. V. Gonder**, Vice-President, Toronto  
**E. P. Stephenson**, General Manager  
**J. H. Spicer**, Manager, Toronto Area, Toronto  
**C. J. Morris**, Manager, London Area, London  
**G. H. Bloomfield**, Manager,  
Northern Ontario Area, Capreol

## **Prairie Region**

**W. C. Bowra**, Vice-President, Winnipeg  
**A. Skinner**, General Manager  
**C. T. Cameron**, Manager, Lakehead Area, Port Arthur  
**L. H. B. Gooding**, Manager, Winnipeg Area, Winnipeg  
**H. J. Fast**, Manager, Assiniboine Area, Winnipeg  
**E. S. Barker**, Manager, Hudson Bay Area, Dauphin  
**A. E. Street**, Manager, Saskatchewan Area, Saskatoon

## **Mountain Region**

**G. R. Graham**, Vice-President, Edmonton  
**W. D. McPherson**, General Manager  
**W. B. Jackson**, Manager, Edmonton Area, Edmonton  
**G. F. V. Middleton**, Manager, Calgary Area, Calgary  
**J. A. Pollock**, Manager,  
British Columbia Area, Vancouver

## **Grand Trunk Western Railroad**

**H. A. Sanders**, Vice-President  
and General Manager, Detroit

## **Telecommunications**

**J. R. White**, General Manager, Toronto  
**H. J. Clarke**, Assistant General Manager

## **Hotels**

**S. S. Chambers**, General Manager, Montreal

## **European Organization**

**J. C. Kenkel**, General Manager, London, England



# Companies Included in the Canadian National System

Canadian National Railway Company  
Canadian National Express Company  
Canadian National Railways (France)  
Canadian National Realties, Limited  
Canadian National Steamship Company, Limited  
Canadian National Telegraph Company  
Canadian National Transfer Company  
Canadian National Transportation, Limited  
The Canadian National Railways Securities Trust  
The Canadian Northern Quebec Railway Company  
Eastern Transport Limited  
East-West Transport Ltd.  
Empire Freightways Limited  
The Great North Western Telegraph Company of Canada  
Hoar Transport Company Limited  
Husband Transport Limited  
Midland Superior Express Limited  
The Minnesota and Manitoba Railroad Company  
The Minnesota and Ontario Bridge Company  
Mount Royal Tunnel and Terminal Company, Limited  
The Northern Consolidated Holding Company Limited  
The Quebec and Lake St. John Railway Company  
Scobie's Transport Limited  
Sydney Transfer and Storage Limited  
The Toronto-Peterborough Transport Company, Limited  
Vancouver Hotel Company Limited  
Central Vermont Railway, Inc.  
Central Vermont Transportation Company  
Duluth, Rainy Lake & Winnipeg Railway Company  
Duluth, Winnipeg and Pacific Railroad Company  
Duluth, Winnipeg and Pacific Railway Company  
Grand Trunk-Milwaukee Car Ferry Company  
Grand Trunk Western Railroad Company

- In addition, the property of the Canadian Government Railways is entrusted to the Canadian National Railway Company as part of the System.

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# Consolidated Balance Sheet at December 31, 1964

## Assets

Current Assets	Cash	\$ 37,837,795	
	Accounts receivable	83,069,268	
	Material and supplies	61,599,783	
	Other current assets	18,331,514	
	Government of Canada — Due on deficit account	27,025,904	\$ 227,864,264
Insurance Fund			17,000,000
Investments in Affiliated Companies not Consolidated			
	Air Canada	240,819,500	
	Jointly operated rail and terminal facilities	48,016,090	288,835,590
Property Investment	Road	2,565,071,565	
	Equipment	1,350,267,679	
	Other physical properties	130,988,547	
		4,046,327,791	
	Less recorded depreciation	867,747,677	3,178,580,114
Other Assets and Deferred Charges	Other investments	4,464,431	
	Prepayments	2,327,563	
	Unamortized discount on long term debt	17,358,514	
	Other assets	10,057,262	
	Deferred charges	9,468,660	43,676,430
			<u>\$3,755,956,398</u>

## Liabilities

Current Liabilities	Accounts payable	\$ 80,191,394	
	Accrued charges	20,673,220	
	Other current liabilities	4,759,605	\$105,624,219
Provision for Insurance			17,000,000
Other Liabilities and Deferred Credits			31,553,062
Long Term Debt	Bonds	1,369,835,264	
	Government of Canada loans and debentures	410,354,762	1,780,190,026

## Shareholders' Equity

Government of Canada	6,000,000 shares of no par value capital stock of Canadian National Railway Company	359,963,017	
	1,016,106,453 shares of 4% preferred stock of Canadian National Railway Company	1,016,106,453	
	Capital investment of Government of Canada in the Canadian Government Railways	441,174,436	
		1,817,243,906	
	Capital Stock of Subsidiary Companies Owned by Public	4,345,185	1,821,589,091
			<u>\$3,755,956,398</u>

The notes on page 22 are an integral part of this Balance Sheet.

L. J. Mills, Comptroller.

## Consolidated Income Statement

	1964	1963
Railway operating revenues	\$782,631,679	\$725,181,334
Railway operating expenses	775,174,939	720,169,669
<b>Net Railway Operating Income</b>	<b>7,456,740</b>	<b>5,011,665</b>
<b>Net Income from:</b>		
Telecommunications department	4,340,215	5,367,458
Hotels	1,897,920	1,350,718
Separately operated trucking companies	1,523,192	1,283,213
Other income	8,716,204	8,177,720
	16,477,531	16,179,109
<b>Net Income before Interest on Debt</b>	<b>23,934,271</b>	<b>21,190,774</b>
<b>Interest Charges:</b>		
Total interest on debt	74,151,433	75,822,804
Less interest received on loans to Air Canada	11,491,258	11,618,513
<b>Net Interest on Debt</b>	<b>62,660,175</b>	<b>64,204,291</b>
<b>Deficit</b>	<b>\$ 38,725,904</b>	<b>\$ 43,013,517</b>

## Auditors' Report

To The Honourable The Minister of Transport,  
Ottawa, Canada.

We have examined the consolidated balance sheet of the Canadian National Railway System at December 31, 1964 and the consolidated income statement for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to the position with regard to depreciation accruing prior to the adoption of depreciation accounting as referred to in Note 1, the accompanying consolidated balance sheet and the related consolidated income statement are properly drawn up so as to give a true and fair view of the state of the affairs of the System at December 31, 1964 and of the results of its operations for the year ended on that date according to the best of our information and the explanations given to us and as shown by the books of the System, and in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, proper books of account have been kept by the System and the transactions that have come under our notice have been within the powers of the System.

Touche, Ross, Bailey & Smart,  
Chartered Accountants.

February 23, 1965



# Notes to Consolidated Financial Statements at December 31, 1964

## Note 1: Property Investment

Additions since January 1, 1923 have been recorded at cost and properties and equipment brought into the System at January 1, 1923 are included at the values appearing in the books of the several railways now comprising the System to the extent that these have not been retired or replaced. Depreciation on Canadian Lines: Depreciation accounting as adopted for equipment in 1940, for hotel properties in 1954 and for track and road structures and all other physical properties except land in 1956 has been continued in 1964. The depreciation rates used are based on the estimated service life of the properties but do not provide for depreciation which was not recorded in prior years under the replacement and retirement accounting principles then in force, nor for extraordinary obsolescence resulting from the introduction of more efficient equipment. Depreciation on U.S. Lines: Replacement accounting for track and depreciation accounting for equipment and other property except land has been continued in accordance with the regulations of the Interstate Commerce Commission.

## Note 2: Material and Supplies

The inventory has been priced at laid down cost based on weighted average cost for ties, rails and fuel and latest invoice price for new materials in general stores, and at estimated utility or sales value for usable second hand, obsolete and scrap materials.

## Note 3: Capital Stock

The capital stock of the Canadian National Railway Company (other than the four per cent preferred stock) and the capital investment of Her Majesty in the Canadian Government Railways are included in the net debt of Canada and disclosed in the historical record of government assistance to railways as shown in the Public Accounts of Canada.

## Note 4: Major Commitments

### (a) Pension Funds:

The Company has given a written acknowledgement to the Trustee of the Pension Funds for an amount not exceeding \$444,000,000 for the outstanding liability in respect of prior service of active employees.

### (b) Vacation Pay:

In accordance with past practice the Company has not recorded the liability for vacations earned in 1964 which will be paid in 1965.

### (c) Chicago & Western Indiana Railroad Company:

The Grand Trunk Western Railroad Company is liable jointly and severally with four other proprietors as guarantor of principal and interest with respect to \$10,444,000 First Collateral Trust Mortgage 4½% Sinking Fund Bonds due May 1, 1982 of the Chicago & Western Indiana Railroad Company. In addition, the proprietors are obligated to make annual sinking fund payments sufficient to retire the bonds at maturity and to meet interest as it falls due; in the absence of default of any of the other proprietors, Grand Trunk Western's proportion of such annual payments is one-fifth.

### (d) The Belt Railway Company of Chicago:

The Grand Trunk Western Railroad Company is liable jointly and severally with eleven other proprietors as guarantor of principal, interest and sinking fund payments with respect to \$35,760,000 First Mortgage 4½% Sinking Fund Bonds series "A", due August 15, 1987 of the Belt Railway Company of Chicago. Each proprietor is to make payments to the extent required in proportion to its usage of the Belt's facilities in the preceding three years. For the three years ended December 31, 1964 Grand Trunk Western Railroad's usage was approximately 1.7% of the total.

### (e) Detroit & Toledo Shore Line Railroad Company:

The Grand Trunk Western Railroad Company is jointly and severally liable with one other proprietor as guarantor of principal, interest and sinking fund payments with respect to \$2,608,000 First Mortgage 3¼% 30-year series "A" Bonds, due December 1, 1982 of the Detroit & Toledo Shore Line Railroad Company.

## Railway Operating Revenues

	1964	1963
Freight services	\$620,622,512	\$573,477,011
Passenger services	51,817,902	44,354,115
Mail	10,445,092	10,626,819
Express	46,024,149	45,602,316
Other	24,722,024	22,064,172
Interim payments—Royal Commission on Transportation	29,000,000	29,056,901
	<u>\$782,631,679</u>	<u>\$725,181,334</u>

## Railway Operating Expenses

Road maintenance	\$148,013,832	\$143,181,049
Equipment maintenance	165,593,343	151,924,929
Transportation	338,460,293	312,530,459
Sales	18,739,687	17,182,774
Miscellaneous	10,297,314	6,956,866
General	63,621,004	61,725,269
	<u>744,725,473</u>	<u>693,501,346</u>
Railway tax accruals	21,201,828	22,839,768
Equipment and joint facility rents	9,247,638	3,828,555
	<u>\$775,174,939</u>	<u>\$720,169,669</u>

## Other Income

Rent income	\$ 3,948,288	\$ 3,707,769
Interest income	2,306,336	2,160,206
Dividend income	171,161	294,311
Amortization of premiums on shares purchased	(480,272)	(2,092,660)
Profit from sale of real property	725,315	4,548,963
Increased provision for insurance	—	(2,500,000)
Miscellaneous (net)	2,045,376	2,059,131
	<u>\$ 8,716,204</u>	<u>\$ 8,177,720</u>



## Property Investment Statement

Property Investment at December 31, 1963		\$3,964,499,249
<b>Capital Expenditures in 1964</b>		
New lines and diversions	\$ 7,312,618	
Roadway improvements	30,673,007	
Large terminals	12,827,051	
Yard tracks and sidings	2,200,239	
Buildings	4,256,965	
Highway crossing protection	475,527	
Signals	1,302,555	
Roadway and shop machinery	1,404,426	
Other facilities	1,689,138	
Total — Road property	62,141,526	
Branch lines	331,727	
Equipment	50,439,502	
Telecommunications	18,165,307	
Hotels	3,903,847	\$134,981,909
<b>Government of Canada net expenditure</b>		
on Canadian Government Railways	261,821	
Properties of company acquired	1,235,544	
Additions to property in 1964	136,479,274	
Deduction in respect of property retirements in 1964	54,650,732	81,828,542
Property Investment at December 31, 1964		<u>\$4,046,327,791</u>

## Recorded Depreciation Statement

Recorded Depreciation at December 31, 1963		\$ 801,049,925
<b>Add provision for depreciation for the year</b>		
Road property	\$52,003,369	
Equipment	44,882,944	
Other physical properties	4,167,920	\$101,054,233
Recorded depreciation of company acquired	762,992	
	101,817,225	
Deduct net charges in respect of property retirements	35,119,473	66,697,752
Recorded Depreciation at December 31, 1964		<u>\$ 867,747,677</u>

## Long Term Debt

	Rate %	Maturity (See Notes)		Currency in which payable	Outstanding at Dec. 31, 1963	Transactions Year 1964 Increase or (Decrease)	Outstanding at Dec. 31, 1964
Bonds	5½	Dec. 15, 1964	Canadian National 5 Year Bonds	Canadian	\$ 198,072,000	\$(198,072,000)	
	3	Jan. 3, 1966 a	Canadian National 17 Year Bonds	Canadian	35,000,000		\$ 35,000,000
	2¾	Jan. 2, 1967 a	Canadian National 20 Year Bonds	Canadian	50,000,000		50,000,000
	4½	Apr. 1, 1967 e	Canadian National 6½ Year Bonds	Canadian	72,300,000		72,300,000
	5	May 15, 1968 e	Canadian National 9 Year Bonds	Canadian	55,800,000		55,800,000
	2⅞	Sept. 15, 1969 a	Canadian National 20 Year Bonds	Canadian	70,000,000		70,000,000
	2⅞	Jan. 16, 1971 b	Canadian National 21 Year Bonds	Canadian	40,000,000		40,000,000
	5½	Dec. 15, 1971 e, f	Canadian National 12 Year Bonds	Canadian	928,000	189,633,500	190,561,500
	3¾	Feb. 1, 1974 c	Canadian National 20 Year Bonds	Canadian	200,000,000		200,000,000
	2¾	June 15, 1975 d	Canadian National 25 Year Bonds	U.S.	6,000,000		6,000,000
	5	May 15, 1977 e	Canadian National 18 Year Bonds	Canadian	84,150,000		84,150,000
	4	Feb. 1, 1981	Canadian National 23 Year Bonds	Canadian	300,000,000		300,000,000
	5¾	Jan. 1, 1985 e	Canadian National 25 Year Bonds	Canadian	99,500,000		99,500,000
	5	Oct. 1, 1987 e	Canadian National 27 Year Bonds	Canadian	167,125,000	(2,625,000)	164,500,000
	5½	Perpetual	Buffalo and Lake Huron 1st Mortgage Bonds	Sterling	795,366		795,366
	5½	Perpetual	Buffalo and Lake Huron 2nd Mortgage Bonds	Sterling	1,228,398		1,228,398
	Total Bonds					1,380,898,764	(11,063,500)
Government of Canada Loans and Debentures	Capital Revision Act: Jan. 1, 1972 Debenture			Canadian	100,000,000		100,000,000
	Canadian Government Railways: Advances for Working Capital			Canadian	16,983,762		16,983,762
	Financing and Guarantee Acts: Loans			Canadian	55,371,000		55,371,000
	Refunding Act, 1955: Loans for Debt Redemption			Canadian	238,000,000		238,000,000
	Total Government of Canada Loans and Debentures					410,354,762	
Total Long Term Debt					\$1,791,253,526	\$ (11,063,500)	\$1,780,190,026

<b>Notes:</b>	<b>a</b> Callable at par	thereafter to June 14, 1970 at 100½%;	Funds operated under the conditions
	<b>b</b> Callable at par on or after Jan. 16, 1966	thereafter at par	of each issue
	<b>c</b> Callable at par on or after Feb. 1, 1972	<b>e</b> Amounts of ½% or 1% of the original issues	<b>f</b> Issued in exchange for 5½% bonds
	<b>d</b> Callable June 14, 1962 to June 14, 1966	may be purchased quarterly through Purchase	due December 15, 1964
	at 101%;		

## Shareholders' Equity

<b>Government of Canada</b>	No par value capital stock of Canadian National Railway Company	\$ 359,963,017		\$ 359,963,017
	4% Preferred stock of Canadian National Railway Company	991,504,556	\$ 24,601,897	1,016,106,453
	Capital investment in Canadian Government Railways	440,912,615	261,821	441,174,436
	Total Government of Canada	1,792,380,188	24,863,718	1,817,243,906
<b>Capital Stock of Subsidiary Companies Owned by Public</b>		4,485,785	(140,600)	4,345,185
	<b>Total Shareholders' Equity</b>	<b>\$1,796,865,973</b>	<b>\$ 24,723,118</b>	<b>\$1,821,589,091</b>



## Investments in Jointly Operated Rail and Terminal Facilities

		Percentage Held	Investment at Dec. 31, 1963	Transactions Year 1964 Increase or (Decrease)	Investment at Dec. 31, 1964
The Belt Railway Company of Chicago	Capital Stock	8.33	\$ 240,000		\$ 240,000
	Advances		61,673	\$ 5,154	66,827
Chicago & Western Indiana Railroad Company	Capital Stock	20	1,000,000		1,000,000
	Advances		7,086,737	6,233	7,092,970
The Detroit & Toledo Shore Line Railroad Company	Capital Stock	50	1,500,000		1,500,000
Detroit Terminal Railroad Company	Capital Stock	50	1,000,000		1,000,000
Northern Alberta Railways Company	Capital Stock	50	8,540,000		8,540,000
	Bonds	50	16,902,500	(402,500)	16,500,000
The Public Markets, Limited	Capital Stock	50	575,000		575,000
Railway Express Agency, Inc.	Capital Stock	0.6	600		600
	Advances		173,493		173,493
The Shawinigan Falls Terminal Railway Company	Capital Stock	50	62,500		62,500
The Toronto Terminals Railway Company	Capital Stock	50	250,000		250,000
	Bonds	50	10,947,200	(132,500)	10,814,700
	Advances		200,000		200,000
<b>Total</b>			<b>\$48,539,703</b>	<b>\$(523,613)</b>	<b>\$48,016,090</b>

## Source and Application of Funds for the Year 1964

	<b>Working Capital January 1, 1964</b>	<b>\$120,674,106</b>
<b>Source of Funds</b>	Provision for depreciation	\$101,054,233
	Issue of 4% preferred stock	24,601,897
	Government of Canada in respect of deficit for the year	38,725,904
	Retained proceeds from properties retired	19,531,259
	Other (net)	2,423,959
		<b>\$186,337,252</b>
<b>Application of Funds</b>	Additions to property investment	\$134,981,909
	Deficit for the year	38,725,904
	Decrease in long term debt	11,063,500
		<b>\$184,771,313</b>
	<b>Net Increase in Working Capital</b>	<b>1,565,939</b>
	<b>Working Capital December 31, 1964</b>	<b>\$122,240,045</b>

## Inventory of Railway Equipment

		On Hand Dec. 31, 1964
<b>Motive Power Equipment</b>	Diesel electric units	2,099
	Electric locomotives	18
	Steam generator units	108
	Booster units	10
<b>Total</b>		<b>2,235</b>
<b>Freight Equipment</b>	Box, flat and stock cars	71,925
	Refrigerator cars	4,727
	Gondola and hopper cars	23,914
	Caboose and other cars	2,145
<b>Total</b>		<b>102,711</b>
<b>Passenger Equipment</b>	Coach cars	661
	Sleeping, dining, parlour and tourist	528
	Baggage, mail and express	1,164
	Other cars in passenger service	244
<b>Total</b>		<b>2,597</b>
<b>Work Equipment</b>	Units in work service	<b>9,016</b>
<b>Floating Equipment</b>	Car ferries	6
	Steamers	13
	Barges, tugs and work	12
<b>Total</b>		<b>31</b>

## Operated Mileage at December 31, 1964

		Owned	Leased	Trackage Rights	Total
<b>Operated Road Mileage — first main track</b>	Atlantic Region	3,859	1	15	3,875
	St. Lawrence Region (including New England Lines)	3,875	7	18	3,900
	Great Lakes Region	3,288		16	3,304
	Prairie Region (including Duluth, Winnipeg and Pacific)	8,091		5	8,096
	Mountain Region	4,065	35	76	4,176
	Grand Trunk Western Lines	879	10	58	947
	Central Vermont Lines	308		59	367
	<b>Total</b>	<b>24,365</b>	<b>53</b>	<b>247</b>	<b>24,665</b>
<b>Operated Mileage — all tracks</b>	Lines in Canada	22,772	36	127	22,935
	Lines in United States	1,593	17	120	1,730
	First main track	24,365	53	247	24,665
	All other main lines	1,126		83	1,209
	Spurs, sidings and yard tracks	7,060	17	1,664	8,741
	<b>Total all tracks</b>	<b>32,551</b>	<b>70</b>	<b>1,994</b>	<b>34,615</b>



# Pension Trust Funds Balance Sheet at December 31, 1964

## Assets

<b>Current Assets</b>	Cash: In banks — current accounts	\$ 187,966	
	— time deposits	7,600,000	
	Deposits with trust companies	909,862	
		8,697,828	
	Accrued interest on investments	4,637,566	
	Accounts receivable:		
	Canadian National Railways — current account	576,123	
	Banks, insurance and trust companies re mortgages	276,770	
	Other	22,619	\$ 14,210,906
<b>Investments</b>	Mortgages — at amortized value	145,429,527	
	Stocks — at cost (Market value \$ 89,727,870)	73,360,186	
	Bonds — at amortized value (Market value \$282,375,615)	298,794,194	517,583,907
<b>Canadian National Railways</b>	Acknowledged liability in respect of past service of employees		444,000,000
			<u>\$975,794,813</u>

## Liabilities

<b>Current Liabilities</b>	Accounts payable	\$ 167,452	
<b>Reserve for Pensions</b>	In respect of pensions in force and pensions accruing to active employees under the 1935 and 1959 Pension Plans		975,627,361
			<u>\$975,794,813</u>
<b>Note:</b> The Reserve for Pensions includes the accumulated contributions of certain employees in service, with interest thereon, which are held in trust under the rules of the 1935 Pension Plan as follows:			
	Annuity Trust Fund	\$ 14,680,721	
	Supplemental Annuity Trust Fund	2,486,143	
		<u>\$ 17,166,864</u>	

L. J. Mills,  
Comptroller

## Pension Trust Funds Statement of Reserve at December 31, 1964

	<b>Reserve at December 31, 1963</b>		<b>\$ 885,486,937</b>
<b>Additions to Reserve during the Year:</b>	Increased unfunded liability in respect of past service acknowledged by Canadian National Railways	\$49,000,000	
	Contributions from employees on account of —		
	Current service	\$19,695,325	
	Prior years' deficiencies	4,365,992	
		24,061,317	
	Less refunds on termination of service, etc.	3,659,943	20,401,374
	Contributions by the Company	29,054,228	
	Net earnings on contributions made by the Company and employees	23,830,471	122,286,073
			1,007,773,010
<b>Deductions from Reserve during Year:</b>	Pensions paid		32,145,649
	<b>Reserve at December 31, 1964</b>		<b>\$ 975,627,361</b>

## Auditors' Report

To the Trustee,  
Canadian National Railways Pension Funds.

We have examined the balance sheet of the Pension Trust Funds of the 1935 and 1959 Pension Plans of Canadian National Railways at December 31, 1964 and the statement of reserve for pensions for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statement of reserve for pensions are properly drawn up so as to give a true and fair view of the state of the affairs of the Funds at December 31, 1964 and of the results of their operations for the year ended on that date according to the best of our information and the explanations given to us and as shown by the books of the Funds, and in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, proper books of account have been kept by the Trustee and that the transactions that have come under our notice have been within the powers of the Trustee.

Touche, Ross, Bailey & Smart,  
Chartered Accountants.

February 23, 1965

## Actuarial Certificate

This is to certify that the Reserve for Pensions shown in the Balance Sheet of the Pension Trust Funds of Canadian National Railways, amounting to \$975,627,361 as at December 31, 1964, in my opinion, represented adequate provision for the accumulated liabilities of pensions then approved and in force, pensions awaiting approval and pensions accrued to the above date in respect of employees then in service under the 1935 and 1959 Plans, excluding pensions granted under prior Plans.

Denis R. J. George,  
Fellow of the Institute of Actuaries,  
Associate of the Society of Actuaries.

William M. Mercer Limited,  
Montreal, February 19, 1965



## Statistics of Rail-Line Operations

		1964	1963	% Increase or (Decrease)
Train Miles	Freight service	38,240,893	35,796,950	6.8
	Passenger service	18,348,086	17,079,631	7.4
	Work service	1,546,532	1,802,601	(14.2)
	<b>Total Train Miles</b>	<b>58,135,511</b>	<b>54,679,182</b>	<b>6.3</b>
Locomotive Miles	Freight service	38,588,651	36,116,058	6.8
	Passenger service	16,354,821	15,131,531	8.1
	Switching service—Road and yard	18,157,466	17,868,774	1.6
	Work service	1,787,492	1,845,157	(3.1)
	<b>Total Locomotive Miles</b>	<b>74,888,430</b>	<b>70,961,520</b>	<b>5.5</b>
Car Miles	<b>Freight:</b>			
	Loaded	1,265,929,716	1,181,953,889	7.1
	Empty	804,111,089	746,854,265	7.7
	Caboose	40,214,042	36,814,714	9.2
		<b>2,110,254,847</b>	<b>1,965,622,868</b>	<b>7.4</b>
	<b>Passenger:</b>			
	Coach and combination	47,304,522	41,268,166	14.6
	Sleeping, parlour and observation	51,201,562	40,000,597	28.0
	Dining	13,118,144	9,022,063	45.4
	Motor unit	3,952,648	3,877,880	1.9
	Other (baggage and express, etc.)	79,914,425	83,063,317	(3.8)
		<b>195,491,301</b>	<b>177,232,023</b>	<b>10.3</b>
	<b>Work Service</b>	<b>2,651,373</b>	<b>2,869,321</b>	<b>(7.6)</b>
	<b>Total Car Miles</b>	<b>2,308,397,521</b>	<b>2,145,724,212</b>	<b>7.6</b>
Ton Miles	Gross ton miles—all services (excluding passenger cars on passenger trains)	97,772,640,000	89,026,289,000	9.8
	Net ton miles—all services	44,983,381,000	40,751,668,000	10.4
Average Miles of Road Operated		<b>24,697.15</b>	<b>24,709.57</b>	<b>(0.1)</b>
Freight Traffic	Freight revenue	\$ 603,061,151	552,221,071	9.2
	Tons carried—Revenue freight	92,632,736	84,078,393	10.2
	Ton miles—Revenue freight	44,516,285,706	40,171,173,489	10.8
	Train hours in freight road service	1,651,422	1,573,046	5.0
	<b>Averages per Mile of Road:</b>			
	Freight revenue	\$ 24,418	22,348	9.3
	Train miles	1,548	1,449	6.8
	Total freight train car miles	85,445	79,549	7.4
	Ton miles—Revenue freight	1,802,487	1,625,733	10.9
	Ton miles—All freight	1,821,400	1,649,226	10.4
	<b>Averages per Loaded Car Mile:</b>			
	Freight revenue	¢ 47.6	46.7	1.9
	Ton miles—All freight	35.5	34.5	2.9

# Statistics of Rail-Line Operations (continued)

		1964	1963	% Increase or (Decrease)
<b>Freight Traffic (continued)</b>	<b>Miscellaneous Averages:</b>			
	Revenue per ton	\$ 6,510	6,568	(0.9)
	Revenue per ton mile	¢ 1.355	1.375	(1.5)
	Miles hauled per revenue ton	480.6	477.8	0.6
	Cars per train—loaded	32.9	33.0	(0.3)
	Cars per train—empty	21.0	20.9	0.5
	Gross load—Freight trains (tons)	2,549	2,485	2.6
	Net load—Freight trains (tons)	1,175	1,138	3.3
	Gross ton miles per freight train hour	59,034	56,561	4.4
	Train speed—Miles per hour	23.2	22.8	1.8
	Diesel unit miles per serviceable day (excluding stored)	246	234	5.1
<b>Passenger Traffic</b>	Passenger services revenue	\$ 51,817,902	44,354,115	16.7
	Revenue passengers carried	15,500,649	13,598,961	14.0
	Revenue passenger miles	1,613,350,069	1,189,051,239	35.7
	<b>Averages per Mile of Road:</b>			
	Passenger services revenue	\$ 2,098	1,795	16.9
	Train miles	743	691	7.5
	Total passenger train car miles	7,916	7,173	10.4
	Revenue passenger miles	65,325	48,121	35.8
	<b>Averages per Car Mile— Passenger Services:</b>			
	Passenger services revenue	¢ 45.4	47.9	(5.2)
	Revenue passenger miles	14.1	12.9	9.3
	<b>Miscellaneous Averages:</b>			
	Revenue per passenger	\$ 3.343	3.262	2.5
	Revenue per passenger mile	¢ 3.212	3.730	(13.9)
	Average passenger journey (miles)	104.1	87.4	19.1
	Percent on time arrival—selected principal trains	78.3	80.8	(3.1)
	Diesel unit miles per serviceable day (excluding stored)	419	385	8.8
<b>Operating Results</b>	Total operating revenues per mile of road	\$ 33,303	30,852	7.9
	Total operating expenses per mile of road	\$ 32,857	30,467	7.8
	Net railway operating income per mile of road	\$ 446	385	15.8
<b>Revenue Tonnage Carried (by classes of commodities)</b>		1964	1963	Increase or (Decrease) Tons %
	Agricultural products	17,589,680	15,953,322	1,636,358 10.3
	Animals and animal products	660,178	630,869	29,309 4.6
	Mine products	31,340,359	28,015,448	3,324,911 11.9
	Forest products	10,340,006	9,335,912	1,004,094 10.8
	Manufactured and miscellaneous	32,166,299	29,506,969	2,659,330 9.0
	Total carload freight	92,096,522	83,442,520	8,654,002 10.4
	All less than carload freight	536,214	635,873	(99,659) (15.7)
	<b>Grand Total</b>	<b>92,632,736</b>	<b>84,078,393</b>	<b>8,554,343 10.2</b>



# A 25-Year Synoptical History of the Canadian National Railways

Year	Gross Revenues	Railway Operating Revenues	Railway Operating Expenses	Net Railway Operating Profit or (Loss)	Other Income	Surplus or (Deficit) before Interest Charges	Interest on Debt	Surplus or (Deficit)	Freight Revenue Ton Miles	Freight Revenue per Ton Mile	Revenue Passenger Miles	Passenger Services Revenue per Passenger Mile	Average Number of Employees
	Millions	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands	Millions	¢	Millions	¢	
1940	\$ 251.5	\$ 243,099	\$ 207,115	\$ 35,984	\$ 356	\$ 36,340	\$ 53,305	\$ (16,965)	21,532	.904	1,125	2.175	86,366
1941	308.8	299,230	243,766	55,464	1,714	57,178	53,162	4,016	27,200	.881	1,762	2.065	95,362
1942	380.6	369,745	295,306	74,439	2,294	76,733	51,670	25,063	31,729	.909	2,708	2.029	100,651
1943	446.0	433,527	353,158	80,369	7,460	87,829	52,190	35,639	36,327	.894	3,619	2.118	106,893
1944	446.8	434,149	366,680	67,469	6,032	73,501	50,474	23,027	36,016	.893	3,697	2.165	108,278
1945	439.7	426,233	358,972	67,261	6,505	73,766	49,010	24,756	34,600	.915	3,338	2.266	110,591
1946	407.6	393,246	361,634	31,612	6,111	37,723	46,685	(8,962)	30,812	.975	2,289	2.531	109,809
1947	446.0	430,512	406,335	24,177	5,864	30,041	45,926	(15,885)	32,945	1.040	1,845	2.693	112,801
1948	499.7	483,396	471,589	11,807	1,002	12,809	46,342	(33,533)	32,943	1.195	1,755	2.773	115,395
1949	509.4	491,478	484,728	6,750	(161)	6,589	48,632	(42,043)	30,922	1.276	1,621	3.167	116,057
1950	562.6	543,275	502,252	41,023	3,138	44,161	47,422	(3,261)	31,988	1.394	1,408	3.356	116,347
1951	634.1	612,802	585,615	27,187	5,958	33,145	48,177	(15,032)	36,435	1.369	1,611	3.489	124,608
1952	684.5	661,349	640,233	21,116	4,441	25,557	25,415	142	38,430	1.397	1,635	3.566	131,297
1953	707.7	680,669	660,248	20,421	9,199	29,620	29,376	244	36,678	1.509	1,539	3.610	130,109
1954	652.1	623,552	623,965	(413)	4,182	3,769	32,527	(28,758)	32,882	1.529	1,472	3.628	122,237
1955	693.9	664,613	630,140	34,473	9,249	43,722	33,004	10,718	35,677	1.511	1,464	3.662	119,430
1956	785.7	754,931	710,977	43,954	13,906	57,860	31,783	26,077	41,935	1.461	1,501	3.758	126,639
1957	764.4	732,427	735,679	(3,252)	10,651	7,399	36,972	(29,573)	36,674	1.601	1,499	3.873	124,620
1958	716.3	680,993	698,327	(17,334)	12,264	(5,070)	46,521	(51,591)	35,077	1.554	1,269	3.980	113,086
1959	751.9	712,976	719,000	(6,024)	11,234	5,210	48,798	(43,588)	35,542	1.613	1,272	3.927	111,538
1960	723.4	663,214	681,692	(18,478)	12,004	(6,474)	61,023	(67,497)	34,011	1.547	1,208	3.990	104,155
1961	745.5	677,380	693,605	(16,225)	11,393	(4,832)	62,476	(67,308)	34,723	1.480	1,076	4.038	99,564
1962	772.1	701,623	707,442	(5,819)	19,398	13,579	62,498	(48,919)	35,595	1.487	1,044	4.212	97,922
1963	800.0	725,181	720,170	5,011	16,179	21,190	64,204	(43,014)	40,171	1.375	1,189	3.730	92,571*
1964	864.2	782,632	775,175	7,457	16,477	23,934	62,660	(38,726)	44,516	1.355	1,613	3.212	93,194*

\* Based on a new method of counting effective January 1, 1963.







